DIRECT TESTIMONY

OF

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PUBLIC VERSION

TELECOMMUNICATIONS DIVISION

ILLINOIS COMMERCE COMMISSION

AMERITECH ILLINOIS
DOCKET NO. 98-0252/98-0355(CONSOL.)

NOVEMBER 3, 2000

I. INTRODUCTION

Q. State your name and business address.

A. My name is Mark A. Hanson. My business address is 527 East Capitol, Springfield, Illinois 62701.

Q. By whom are you employed and in what capacity?

A. I am employed by the Illinois Commerce Commission ("Commission") as an Economic Analyst in the Rates Section of the Telecommunications Division.

Q. Please describe your education and occupational background.

A . I received a Bachelor of Science degree in Commercial Economics from South Dakota State University in 1978. I received a Master of Science degree in Economics from South Dakota State University in 1981. From 1981 to 1987, I was employed by the South Dakota Department of Transportation as a Transportation Planner. During this time, I also taught evening classes in economics at Capitol University Center. From 1987 to 1989, I was enrolled in the doctoral program in Economics at Iowa State University. During that time, I was employed as an instructor in the Agricultural Business and Transportation/Logistics departments. From June 1990 to January 2000, I worked for Illinois Power Company. I was employed by Illinois Power as a Forecast Specialist, Regulatory Matters Specialist, Gas Supply Specialist, and Competitive Pricing Specialist. I joined the Staff of the Commission in July of 2000.

Q. Briefly describe your work duties with the Illinois Commerce Commission.

A. My responsibilities include reviewing wholesale and retail tariff filings of both competitive and non-competitive telecommunications services, providing support to other Commission Staff and analysis on cost study issues in docketed cases that have cost of service and rate implications.

Q. Have you previously testified before any regulatory agencies?

A. I have previously testified before the Federal Energy Regulatory Commission.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address the rate rebalancing proposal presented by Ameritech Illinois witnesses Van Lieshout (Ameritech Illinois Exhibit 9.0) and Palmer (Ameritech Illinois Exhibit 10.0) and to present Staff's alternative proposals. Additionally, I will present a rate re-initialization proposal and a cost of service rate design should the Commission elect to pursue those options.

II. Ameritech Illinois' Rate Rebalancing Proposal

Q. What is the purpose of Ameritech Illinois'("Company") rate rebalancing proposal?

A. Ameritech Illinois contends that it needs to rebalance rates in order to accommodate an increase in residential network access line charges. Ameritech Illinois further contends that due to improvements in its cost modeling and other factors, estimates of the Long Run Service Incremental Cost (LRSIC) of providing residential network access line service have increased to the point where the rate for the service is no longer covering those costs in Access Areas B and C. Additionally, the Company alleges, that, even though the rate for network access line service in Access Area A covers costs, revenues do not provide adequate contribution to the Company in comparison with other services. Therefore, Ameritech Illinois is proposing to increase the charge of residence network access lines by $2 per month which would result in an overall revenue increase of $84.5 million annually.

Q. Is Ameritech Illinois filing for a rate increase of $84.5 million?

A. No. Ameritech Illinois proposes to offset that increase with a series of price decreases on selected non-competitive services. These services are residence order charges for change orders; line connections; and new and transfer orders. Other services for which Ameritech Illinois proposes to reduce rates are the additional minutes charges for peak, shoulder, and off-peak times for MSA1 Band B usage charges. Also, Ameritech Illinois proposes to reduce prices on pay per use vertical service features: automatic callback, repeat dialing, and three way calling. Finally, the Company argues it is appropriate to offset the proposed network access line rate increases by the switched access charge reductions ordered in ICC Dockets 97-0601, 97-0602, and 97-0516. Ameritech Illinois contends that the combined impact of these price decreases would generate approximately $85 million in revenue reductions annually. Hence, Ameritech Illinois claims the combination of rate increases and rate decreases would result in no net revenue impact to Ameritech Illinois.

Q. **Do you support Ameritech Illinois' rate rebalancing proposal? Please explain why or why not?**

A. No. First, Ameritech Illinois is understating the revenues collected from network access line customers. Second, the Commission has not determined that the models which the Company is now using to develop LRSIC are valid. Until the Commission has validated those models, LRSIC estimates developed by those models cannot be used as a rationale for raising network access line rates. Third, the revenue reductions generated by the set of price decreases Ameritech Illinois proposes would not offset the revenue increases generated by a $2 per month increase in network access line charges. This proposal would have the effect of raising, rather than rebalancing, rates. It would not be revenue neutral.

Q. Please explain how Ameritech Illinois is understating the revenues it collects from network access line customers?

A. Ameritech Illinois has stated that the sum of the network access line charge and the End User Common Line ("EUCL") charge is the proper amount of revenue to compare against the costs of providing network access services. However, this understates the amount of revenue that the Company collects for providing network access line services.

The Federal Communications Commission allows Ameritech Illinois to recover $4.46 in common line/marketing/TIC revenue per residential line (Ameritech Illinois FCC transmittal 1242) . The Company can only charge residential customers $4.35 for the primary line EUCL, but they are allowed to recover the $0.11 difference from secondary residential lines and other customers. The Company is therefore understating the amount of revenue it collects from providing network access line services. The Company does receive the total of $4.46 per month in EUCL and other revenues for each residential line, even though it does not directly charge primary residential lines that amount.

Q. How can the Company's data be adjusted to account for these price differences.

A. Schedule 2 in Mr. Van Lieshout's testimony understates by $0.11 per residential line per month the contribution of residential network access line customers.

Q. Please explain Staff's concerns regarding Ameritech Illinois' updated LRSICs?

A. In April 2000, Ameritech Illinois filed their Aggregate Revenue Test 2000, a study filed in conjunction with the Company's annual price cap plan filing (Docket 00-0260). In that study, Ameritech Illinois indicated that the LRSIC for network access line services was $4.33 in Access Area A, $8.50 in Access Area B, and $10.24 in Access Area C. On July 31, 2000, Ameritech Illinois supplied the Staff of the Commission an updated cost study in support of its rate rebalancing proposal (Docket 98-0335). That cost study indicated that the LRSIC for Access Area A was $6.64, Area B was $11.24, and Area C was $15.00. These are increases of 53.34%, 34.48%, and 46.48%, respectively. Increases of these magnitudes would raise questions in the mind of any reasonable person, particularly since telecommunications services have historically displayed declining costs.

Q. Why did the LRSICs for network access line services increase so much?

A. As Mr. Palmer describes in his testimony, Ameritech Illinois has made a multitude of model and assumption changes to the way it computes LRSICs for residential network access lines. Mr. Palmer states that the Loop Facility Access Model ("LFAM") used to develop the LRSICs presented in his testimony incorporates more samples of distribution plant than the older version of LFAM. Other changes include new assumptions on the forward looking mix of cable used in the network and the inclusion of such items as SAI, interior terminals, drops, and investments for huts and cabinets (Ameritech Illinois Exhibit 10.0, page 28). Ameritech has described the model to Staff and has shown Staff model output. However, Staff believes that it is incumbent upon Ameritech Illinois to describe the effect of each of these changes upon the increase in LRSIC estimates. For example, the Company should describe to what extent the change in cable mix affects the level of LRSIC in each access area and should perform a similar analysis for each of the assumption changes. The Company should present the result of these analyses in its rebuttal testimony.

Q. Why?

A. Ameritech Illinois' request for an increase in network access line charges is based upon a purported deficiency of rate to cost. The burden of proof lies upon the Company to establish that this deficiency does it fact exist. Staff is not convinced that the "top level" view so far provided by the Company satisfies this burden. Providing more detail to explain the significant increases in the estimate of network access line LRSICs is essential to the record in this case. If this detail is not provided, Staff cannot be satisfied that the cost estimates provided are reasonable. If these estimates are not examined and found to be reasonable, the Commission should not approve any element of this rate rebalancing plan.

Q. You have also stated that you believe the Company's rate rebalancing proposal is in effect a rate increase proposal. Please provide details.

A. First, $43 million of Ameritech Illinois' proposed revenue reductions are obtained by the decrease in switched access charge reductions ordered by the Commission in Dockets 97-0601, 97-0602, and 97-0516 (Consolidated). However, in the Final Order in that consolidated proceeding, the Commission explicitly rejected the notion that Ameritech Illinois was entitled to increase other rates to offset the reductions in access line charges. Therefore, the $43 million in decreased revenues resulting from switched access charge reductions cannot be properly offset against increases in any rate rebalancing process. Revenue adjustments of this sort should be dealt with as exogenous adjustments in the annual price cap filing. Second, as Ameritech Illinois' witness Van Lieshout states in his testimony, research shows that the demand for network access lines is not very sensitive to changes in price(Ameritech Illinois Exhibit 9.0, Schedule 3, page 1). Thus, demand for access lines would decrease very little in response to the increase in network access line charges that Ameritech Illinois is proposing. This occurs because access to the telephone network is considered a necessity by most people. A characteristic of necessities is that they tend to have very inelastic demand curves.

If a product has a very inelastic demand, then a price increase will have very little impact upon the amount of the good consumed by the consumer. For goods with inelastic demands, price increases result in revenue increases to the company. Since network access lines have inelastic demand, increasing their price would result in Ameritech Illinois realizing increased revenues.

Q. What is the magnitude of the revenue increase that would result from Ameritech Illinois' proposed rate increase in network access line charges.

A. Although Schedule 1 attached to Ameritech Illinois Exhibit 9.0 does not reflect an adjustment for the effects on demand caused by price changes, the increase in revenues shown on the schedule are close to what would occur. Using the own price elasticities used by Ameritech Illinois in Mr. Van Lieshout's testimony, the demand would decrease minimally due to the -.08 own price elasticity of phone access line demand. Using the calculations from Mr. Van Lieshout's schedule, revenues would decline only by $1,050,672. The revenue increase from the residential network access line charges would, therefore, be $83,448,556.

Q. Are the demand elasticities for residence order changes, local usage charges, and residential calling features as inelastic in nature as the demand for network access lines? Please explain.

A. No, they are not. In particular, residential calling services are likely to have demand curves with much more elastic characteristics than the demand of network access line services. Thus, the demand curve for residential calling services would be relatively more elastic than network access line demand.

Q. What are the implications of an elastic demand curve?

A. A characteristic of a more elastic demand is that as the price for the product is lowered, there will be an increase in units demanded for that product. Schedule 1 attached to Ameritech Illinois' Exhibit 9.0 shows no increase in demand for the products for which prices have been, or will be, lowered. The reduction in revenues shown on that exhibit is, therefore, overstated.

Q. What would be the proper own price elasticity of demand for residential calling services?

A. Staff requested Ameritech Illinois to provide price elasticities for those services. To date, Ameritech Illinois has not responded to those data requests. The Citizens' Utility Board requested similar information. Ameritech Illinois' response to CUB was that Ameritech Illinois did not have any information on these elasticities. Staff searched economic literature to find information on this topic. Unfortunately, due to the recent nature of these service innovations, adequate data was not available. However, pertinent information on this topic was found in one of Ameritech Illinois' recent tariff filings.

Q. What was the nature of that filing?

A. In July of 2000, Ameritech Illinois filed a promotional tariff (Advice 7313) to reduce its monthly charges for business customers for two of the vertical calling features that are being reduced in this filing for residential customers. In that filing, Ameritech Illinois forecasted considerable demand effects resulting from the price decrease. Ameritech Illinois' product management group projected that a 30% decrease in price for 3 way calling would result in a 72% increase in quantity sold as compared to a "business as usual" (no price increase) scenario. For automatic callback, a 30% price decrease resulted in 78% increase in quantity sold as compared to the "business as usual" scenario. These results would indicate own price elasticities in excess of -2. Economists typically describe a price elasticity with a absolute value greater than 1 as elastic.

Q. Were there additional promotional efforts with this offering that might distort the

impact of the price decrease?

A. Not in this case. Ameritech Illinois stated in its supporting documentation that it was incurring no incremental costs for promotional efforts. Therefore, it appears that the price decrease is the sole element causing the higher level of sales.

Q. What kind of revenue decrease relative to "business as usual" was Ameritech Illinois forecasting as a result of the price decrease?

A. Ameritech Illinois was projecting a overall revenue increase as a result of the promotional tariff.

Q. Under what circumstances does revenue increase even if the price of the product is decreased?

A. If a product has a very elastic demand curve, a 10% price decrease might cause a 20% increase in quantity demanded. In such a case, the increase in the quantity sold more than offsets the decrease in price, so that total revenues increase. This was the case in the Ameritech Illinois tariff filing mentioned above. A 30% decrease in rates resulted in an over 70% increase in sales. Consequently, revenues and contributions to margin also increased.

Q. Do you believe that residential calling features display the same elastic demand characteristics as business calling features and that revenues from those services would actually increase as a result of the proposed price decrease?

A. I do not have adequate information to make that determination. However, I do not think it is reasonable that a 30% price decrease in residential calling features would result in a $7 million reduction in revenues, contrary to what Ameritech Illinois shows on Schedule 1 attached to Mr. Van Lieshout's testimony. I say this because Mr. Lieshout's Schedule does not make any allowance for price effects on demand.

Q. Are there any other examples where Mr. Van Lieshout's Schedule 1 overstates the revenue reduction that Ameritech Illinois would experience if the Company's proposed rate reductions were to occur?

A. Yes. Schedule 1 attached to Mr. Van Lieshout's testimony shows that $12,863,617 in revenue reductions would occur as a result of rate reductions in Band B additional minute usage charges. However, this amount fails to take into account the impact of Ameritech Illinois' usage discount plans. In the Company's 1999 Aggregate Revenue Test filing, it adjusted its gross revenue figures from Band B usage charges by 18.7%. Applying this discount to the Band B additional minutes charge reductions would yield savings of $10,458,121. The Company is overstating the amount of revenue reduction by $2,405,496.

Q. Do you have any other concerns about Ameritech Illinois' rate rebalancing proposal?

A. Yes. Ameritech Illinois is also proposing to offset part of the increase in network access line charges by reducing non-recurring charges from $53.55 to $25.00. However, the

LRSIC of those services is $50.37 according to Schedule 9 attached to Mr. Palmer's testimony (Ameritech Illinois 10.0). Therefore, the current rates for those services barely cover costs. Ameritech Illinois' rate rebalancing proposal would move the rates for non-recurring services below covering costs. This seems curious in light of all the assertions Ameritech Illinois has made in its testimony that network access line charges need to be increased in order to recover costs. Yet, Ameritech Illinois is proposing to reduce rates for service order changes even further, while "rebalancing" that rate reduction with an increase in network access line charges.

Q. Why is that a problem?

A. It is a problem because the LRSIC cost of service rules set a cost floor for the incumbent carrier, under which services generally should not be priced. These rules recognize that entities with market power may engage in predatory pricing, i.e., pricing services below costs, in order to forestall competition. In this case, if Ameritech Illinois is allowed to price the connection of basic service below the cost of providing basic service, it may thwart competition. To worsen this situation, Ameritech Illinois is proposing that its residential network access line customers pay for this barrier to competition by calling the reduction a benefit to ratepayers that offsets in part the increase in network access line charges. In addition, this would only have a positive effect on new customers or those moving to a new location. There would no impact on the majority of Ameritech Illinois' customers.

Q. Please summarize your conclusions about Mr. Van Lieshout's testimony with respect to rate rebalancing?

A. First of all, the need to rebalance rates has not been well established by Mr. Van Lieshout . Second, to the extent that any rate rebalancing may be necessary, the combination of rate increases and decreases proposed by Mr. Van Liehsout would not result in a revenue neutral (balanced) result. Ameritech Illinois' proposal would almost certainly result in increased revenues for the Company. Finally, Ameritech Illinois' proposed price changes for service connection likely would have the effect of deterring competition.

III. Staff's Alternative Rate Rebalancing Proposal

Q. If the Commission determines that it is necessary to rebalance rates, are there methods superior to those the Company is proposing?

A. Yes. Staff would generally agree with Ameritech Illinois that network access line charges should cover LRSIC. However, Ameritech Illinois must provide much more detail in this proceeding about why its estimated network access line LRSICs have increased by such a large percentage before any rate increase in network access line services can be justified. The Company must establish that the LRSIC of providing network access line service has increased above the level of rates before the Commission can even consider increasing those rates to the extent necessary to cover any possible deficiency.

Q. Ameritech Illinois has proposed to increase Network Access Line Charges $2 per month in all Access Areas A, B, and C. Is that a necessary increase for rate levels to cover the level of the revised LRSIC?

A. No. As shown on Ameritech Illinois Exhibit 9.0, Schedule 2 (Van Lieshout), current network access line charges plus EUCL exceeds the revised LRSIC in Access Area A. Therefore, no adjustment to rates would be needed in Access Area A even if Ameritech Illinois can ultimately meet its burden of proof concerning these revised LRSICs.

Q. What about Access Areas B and C.

A. First, as mentioned earlier in my testimony, Ameritech Illinois is understating the revenues it collects from EUCL and other charges, which are properly $4.46 rather than $4.35. Should Ameritech Illinois' updated residence network access line LRSICs filed in this proceeding ultimately be approved by the Commission, increases of $1.34 per month in Access Area B and $1.49 per month in Access Area C could be justified.

Q. What would be the revenue impact of those increases?

A. Ameritech Illinois' revenues would increase approximately $59.0 million.

Q. In Ameritech Illinois Exhibit 9.0, Schedule 2, the Company shows shared costs of $0.95 in Access Area A, $1.64 in Access Area B, and $2.16 in Access Area C. Should the rates for network access lines be increased so that those costs are

covered as well as LRSICs?

A. No. As Company witness Harris states in his testimony, "the prices of some or all of the services must be marked up over LRSIC if the firm has the opportunity to be solvent" (Ameritech Illinois Exhibit 4.1, page 10). Mr. Harris recognizes that it is the aggregate, rather than individual, level of markup which is critical in determining the firm's economic well being. In Ameritech Illinois' 1999 Aggregate Revenue Test filing (Docket 00-0260) , non-competitive services had of $1,630,240,725 in total revenues, $890,604,675 in total LRSIC, and $124,272,176 in shared costs. This leaves $615,363,884 from which common costs and contributions can be recovered. Insolvency does not appear to be an imminent threat. So, even if generally the rate for a service should recover its LRSIC plus shared and common costs, it is not necessary that the principle be followed in every instance.

Also, I am not sure how shared costs can be attributed to a network access line. The costs associated with providing network access lines tend to be stand alone costs and costs should be identified in the LRSIC. In fact, it appears that these "shared" costs may rather be common costs that are being allocated to the network access line.

Q. Are the services that the Company is proposing to use in its rate rebalancing plan the optimal set of services with which to rebalance any network access line charge increases? If they are not, can you suggest any services for rate reductions to offset the revenue increase outlined above?

A. No, the services proposed by Ameritech Illinois are not the optimal services to use in rate rebalancing. I believe that Band A local usage rate decreases would be the best way to offset network access line rate increases.

Q. Why?

A. Although the need to design rates by using sound economic principles is an important goal, another goal should be to minimize adverse impacts on any particular set of customers. In cost of service rate regulation, the Commission has a long history of requesting rate impact studies when a utility files a new rate design. Although this requirement does not exist under Ameritech Illinois' alternative regulation plan, it does not mean that evaluating the impact of rate changes on customers should not be considered. Ameritech Illinois' proposed rate rebalancing is deficient with respect to minimizing harmful effects on customers.

For example, an increase in network access line charges impacts every residential customer in the affected access areas. Many of the services for which Ameritech Illinois proposes to decrease prices to offset the network access line charges do not benefit the customers harmed by the increase, even if the aggregate amount of revenue decreases did offset the aggregate level of revenue increases. Assuming that rate rebalancing is necessary, a combination of revenue increases and decreases which will minimize the rate impact on any set of customers is more desirable than the Company's proposal.

Q. How does Band A local usage fit into this plan?

A. Band A local calls are noncompetitive services, which for practical purposes, are in effect bundled with network access lines. Virtually all customers who pay network access line charges also pay Band A usage charges.

Q. The Company purports that residential network access line charges barely cover or, do not cover, LRSIC, let alone cover shared and common costs, nor do they contribute to margin(Ameritech Illinois Exhibit 9.0, page 5). Is that true for Band A local usage?

A. No. According to the latest Aggregate Revenue Test filed by Ameritech Illinois in Docket 00-0260, Band A local usage generated $163.5 million in annual revenue. The LRSIC of providing that service in 1999 was $80.3 million. Ameritech Illinois receives a comfortable amount of contribution from these services. Adjusting the rates on these services such that the $59.0 million increase in network access line revenues is offset leaves the Company $24.2 million in contribution (revenues above LRSIC) from those services, a 30.1% contribution to common and shared costs and margin. Based on Mr. Lieshout's statement that margins have been increasing on local usage (Ameritech Exhibit 9.0, page 11), these services should contribute even more to shared and common costs than the Aggregate Revenue Test would indicate. Schedule 14.01 of my testimony shows my proposed rates for local usage services under this rate rebalancing proposal.

Q. Do you have any final comments on your rate rebalancing proposal?

A. Yes. Rates should only be rebalanced in the event that the Company can establish that its revised LRSICs are sound and meet the standards required by the Commission. Should rate rebalancing prove necessary, my alternative rate rebalancing proposal would follow sound economic principles, result in true revenue neutrality, and minimize adverse economic impacts on any one group of consumers.

IV. Rate Reduction

Q. What is the purpose of this section of your testimony?

A. As mentioned in Staff witness Hoagg's testimony (Staff Exhibit 1.0), Staff believes the Commission has two basic options in this proceeding. I am presenting proposed rate designs if the Commission determines to return Ameritech Illinois to rate of return regulation, or if the Commission chooses to maintain a price regulation plan, and re-initialize the rates for non-competitive services.

Q. Are the rate designs you are proposing for the two alternatives similar?

A. Yes. The difference would be that going forward, rates under a price regulation plan would be subject to the price cap formula described in the testimonies of Staff witnesses Staranczak and Koch. The rates under a rate of return plan would be fixed until either the Company or the Commission initiates a rate case proceeding .

Q. What do you use as the basis for re-initializing or reducing rates?

A. I use the revenue requirement figure for the 1999 test year as determined by Staff witness Voss in Staff Exhibit 5.0. Mr. Voss has determined that Ameritech Illinois' revenue requirement is approximately $2.336 billion. Rate reductions on the order of $717.831 million would be necessary to decrease Ameritech Illinois' revenues to that level.

Q. If the Commission decides to continue with alternative regulation, should the revenue reduction be allocated between competitive and non-competitive services?

A. No. As explained by Staff witness Marshall, any such revenue reduction should be recovered by reducing the rates on non-competitive services.

Q. Why do you propose that only noncompetitive rates be reduced?

A. As Ms. Marshall explains, reducing competitive rates would have very little impact since Ameritech Illinois could increase those rates on one days notice.

Q. Are there any constraints on rate design?

A. Yes. In order to follow the Illinois Cost of Service rules, rate design should ensure that the rate for any specific service generally is not reduced below LRSIC levels.

Q. What are the implications of this proposal?

A. Essentially, to reduce noncompetitive rates to get the revenue requirement reduction presented in Staff Exhibit 5.0 will require that almost all noncompetitive rates be set at an amount equivalent to LRSIC.

Q. If the Commission should elect to return to rate of return regulation, how should the reduction in revenue be recovered?

A. Staff witness Marshall describes this in her testimony (Staff Exhibit 4.0). However, as Ms. Marshall notes, the Commission may wish to allocate the reduction in revenue requirements between competitive and non-competitive services. If the Commission so chooses, I describe here the two methods mentioned by Ms. Marshall. First, I will allocate the revenue reduction on the basis of comparative revenue between competitive and non-competitive services. Second, I will allocate the revenue reduction on the basis of comparative LRSIC between competitive and non-competitive services.

Q. What revenue reductions would these two types of allocations yield?

A. According to Ameritech Illinois' 1999 Aggregate Revenue Test, the Company had $1, 630,245,735 (includes unbundled network elements, interconnection, and resale revenues in addition to revenues contained in price cap baskets) in revenues from non-competitive services and $2,155,588,863 in revenues from competitive services. Therefore, 43.06% of revenues came from non-competitive sources. Using a revenue allocator would result in approximately $309.098 million in revenue reductions.

Ameritech Illinois' rates for non-competitive services should be reduced so that this revenue reduction would occur should this allocation method be adopted. Ameritech Illinois' 1999 Aggregate Revenue Test also includes information on LRSIC. According to this, Ameritech Illinois has $890,604,675 in LRSIC attributable to non-competitive services and $720,842,851 in LRSIC attributable to competitive services. 55.27% of LRSIC are attributable to non-competitive services. Using a LRSIC based allocator would result in a revenue reduction of $396.745 million in non-competitive revenue. Ameritech Illinois' rates for non-competitive services should be reduced so that this revenue reduction would occur should this allocation method be adopted.

Q. Please summarize your proposals for rate reductions if the Commission determines such action to be warranted.

I propose three scenarios. The first and preferred scenario (100% allocation to non-competitive rates) lowers almost all non-competitive rates to LRSIC. The second scenario (i.e. 43.06% allocation to non-competitive rates) lowers Band A and B usage, residential calling plans, and central office features to a level where $309.098 million in rate reductions are achieved. The third scenario (i.e., 55.27% allocation to non-competitive rates) lowers Band A and Band B usage charges, residential calling plans, and central office features to a level where $396.745 million in revenue reductions are achieved.

Q. Does this conclude your testimony?

A. Yes, it does.